

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF SOUTH DAKOTA

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IN THE MATTER	)	DOCKET NO. NG04-001
OF THE APPLICATION OF	)	
MIDAMERICAN ENERGY COMPANY	)	
FOR AUTHORITY TO INCREASE	)	
RATES FOR NATURAL GAS SERVICE	)	

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**I. SETTLEMENT STIPULATION**

On April 2, 2004, MidAmerican Energy Company (“MidAmerican”) filed with the South Dakota Public Utilities Commission (“Commission”) an application for approval to increase rates for natural gas service in the State of South Dakota. MidAmerican proposed an overall increase of approximately \$1,560,000. By orders dated May 4, 2004 and July 27, 2004, the Commission suspended MidAmerican’s proposed tariff through September 29, 2004. By orders issued June 2 and June 11, 2004, Northern Natural Gas Company and NorthWestern Services Corporation respectively (collectively “Intervenors”) were granted intervention in this proceeding.

Negotiating sessions were held on July 27, August 2, and August 3, 2004 involving the Commission Staff and MidAmerican and, on July 27, 2004, Intervenor NorthWestern Services Corporation (jointly the “Parties”), in an effort to arrive at a jointly acceptable resolution of this matter. As a result of the sessions, the Parties have been able to resolve all issues, including the final overall revenue requirement and revenue increase. They have entered into this Settlement Stipulation (“Stipulation”), which, if accepted and ordered by the Commission, will determine final rates to result from this proceeding.

## II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. NG04-001, and is applicable to final rates in this proceeding only. The Parties understand and agree that the proposals, positions, and adjustments made or obtained in this Stipulation, whether express or implied, are made or obtained only through the spirit of compromise. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Stipulation, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.
2. This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any changes in or conditions to this Stipulation which are unacceptable to any party, this Stipulation shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.
3. This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void and privileged. This Stipulation is intended to relate only to the specific matters referred to herein; no party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; no party shall be deemed to have approved, accepted, agreed or consented to any rate making principle, or any method of cost of service determination, or any method of cost

allocation underlying the provisions of this Stipulation, or be prejudiced or bound thereby in any other current or future proceeding before the Commission. No party or representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission referring to this Stipulation as precedent in any other current or future rate proceeding before the Commission.

4. The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers, be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, Commission Staff would have filed direct testimony and MidAmerican would have filed rebuttal testimony responding to certain of the positions contained in the testimony of Commission Staff.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of MidAmerican's South Dakota customers affected hereby.

### **III. ELEMENTS OF THE SETTLEMENT STIPULATION**

#### **1. Revenue Requirement**

The Parties agree that MidAmerican's attached rate schedules are designed to produce annual increases in base rate levels (excluding purchase gas cost adjustment and sales taxes) of \$1,007,201 annually for retail natural gas service in the State of South Dakota based on a settlement revenue requirement of \$102,045,491, including the cost of gas.

#### **2. Rate Design**

The agreed to change in rates would affect customer classes as follows:

Designation: Small Volume Firm (SVF) and Small Transport (ST)

Class of Service: Residential, Commercial, and Industrial

Changes: Customer Charge increased from \$7.50 to \$8.00 per month

Non-gas commodity charge for 1<sup>st</sup> 250 therms increased from \$0.17725 to \$0.18125

Non-gas commodity charge for balance of therms (usage over 250) increased from \$0.11725 to \$0.13191

Designation: Medium Volume Firm (MVF) and Medium Transport (MT), Small Volume Interruptible (SVI)

Class of Service: Commercial, and Industrial

Changes: No change

Designation: Large Volume Firm (LVF), Large Volume Transport (LT), Large Volume Interruptible (LVI)

Class of Service: Commercial and Industrial

Changes: Non-gas commodity charge increased from \$0.03526 to \$0.03755 per therm

### 3. Other Conditions

The Parties were unable to arrive at an agreement on all issues due to each of the Parties' opinions regarding a litigated outcome of certain issues. Specifically, the Parties were unable to agree on the appropriate ROE to use in developing the overall rate of return ("ROR"). MidAmerican based its original filing on an ROE of 11.7%, for an ROR of 9.269%. Commission Staff's initial settlement proposal reflected an ROE of 9.75% for an overall ROR of 8.239%. For settlement purposes, MidAmerican was unwilling to accept an ROE of less than 10.75% and Commission Staff was not willing to offer an ROE of more than 10%. While the Parties were unable to reach agreement on all issues, they were able to reach agreement on the above overall revenue requirement and revenue increase.

MidAmerican agrees not to file a request with the Commission for a general increase in its natural gas distribution rates that reflects an effective date prior to September 1, 2007.

4. Tariffs

The Tariffs attached hereto are as filed by MidAmerican in its initial submittal, except they retain the current level of reconnection charges and they reflect the overall increase amounts and rate design described above.

5. Implementation of Rates

The revised rate schedules shall be implemented with billings on and after September 30, 2004, with billings prorated so that usage prior to September 30, 2004, is billed at the previous rates and usage on and after September 30, 2004, is billed at the new rates.

6. Conclusion

This Stipulation is entered into this \_\_\_\_\_ day of August, 2004.

MidAmerican Energy Company

South Dakota Public Utilities  
Commission

BY: \_\_\_\_\_  
Suzan M. Stewart  
Senior Managing Attorney  
P.O. Box 778  
Sioux City, IA 51102

BY: \_\_\_\_\_  
Karen E. Cremer  
Staff Attorney  
State Capitol Building  
500 East Capitol Building  
Pierre, SD 57501-5070

DATED: \_\_\_\_\_

DATED: \_\_\_\_\_

NorthWestern Services Corporation

Northern Natural Gas Company

BY: \_\_\_\_\_  
Alan Dietrich  
Vice President & Secretary  
125 S. Dakota Ave.  
Sioux Falls, SD 57104

BY: \_\_\_\_\_  
James Talcott  
Assistant General Counsel  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124

DATED: \_\_\_\_\_

DATED: \_\_\_\_\_

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6. Conclusion

This Stipulation is entered into this 12<sup>th</sup> day of August, 2004.

MidAmerican Energy Company

BY: Suzan M. Stewart  
Suzan M. Stewart  
Senior Managing Attorney  
P.O. Box 778  
Sioux City, IA 51102

DATED: \_\_\_\_\_

NorthWestern Services Corporation

BY: \_\_\_\_\_  
Alan Dietrich  
Vice President & Secretary  
125 S. Dakota Ave.  
Sioux Falls, SD 57104

DATED: \_\_\_\_\_

South Dakota Public Utilities  
Commission

BY: Karen E. Cremer  
Karen E. Cremer  
Staff Attorney  
State Capitol Building  
500 East Capitol Building  
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DATED: 8-12-04

Northern Natural Gas Company

BY: \_\_\_\_\_  
James Talcott  
Assistant General Counsel  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124

DATED: \_\_\_\_\_

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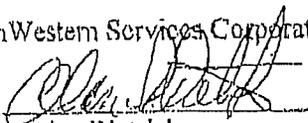
DATED: \_\_\_\_\_

DATED: \_\_\_\_\_

NorthWestern Services Corporation

Northern Natural Gas Company

BY: \_\_\_\_\_

  
Alan Dietrich  
Vice President & Secretary  
125 S. Dakota Ave.  
Sioux Falls, SD 57104

BY: \_\_\_\_\_

James Talcott  
Assistant General Counsel  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124

DATED: Aug. 11, 2004

DATED: \_\_\_\_\_

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BY: \_\_\_\_\_

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NorthWestern Services Corporation

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DATED: \_\_\_\_\_

DATED: 8-11-04